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2828 NORTH CENTRAL AVENUE • SUITE 1200 • PHOENIX, ARIZONA 85004 • (602) 279-5550 • FAX: (602) 285-0350

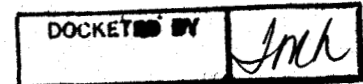
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Arizona Corporation Commission

DOCKETED

MAY 26 1998



Docket #: RE-00000C-94-0165

RE: STATEMENT OF POSITION ON RETAIL ELECTRIC COMPETITION

Dear Ray:

Thank you for your invitation to comment on the Corporation Commission Staff's May 19, 1998 Statement of Position regarding retail electric competition. The Residential Utility Consumer Office ("RUCO") generally favors the resolutions set forth in the Statement of Position. However, RUCO notes several matters for further attention.

First, any valuation of non-divested assets should take into account the economic lives of the assets. The Statement of Position indicates only that the Commission would determine a "fair and reasonable" value for such assets, but omits any reference to the time period over which it will make such a calculation.

Second, to the degree that stranded costs may not be recovered by an Affected Utility, RUCO believes that current rates for standard offer customers should be decreased by more than 3 to 5 percent. Because current rates already include all costs which may become stranded upon the implementation of competition (as much as \$200 million annually statewide), any mechanism which provides that stranded costs be borne partially by the shareholders should result in a decrease in standard offer rates. If shareholders are required to bear some responsibility for stranded costs, they should bear that responsibility for the benefit of all customers, not only for the benefit of customers who receive competitive power.

RUCO is in agreement that, initially, metering should be limited to either the local distribution company ("LDC") or electric service provider ("ESP") or their agents. However, RUCO believes that, after the transition to competitive generation, metering service should

Jane Dee Hull
GovernorGreg Patterson
DirectorRay Williamson, Acting Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Ray Williamson
May 22, 1998
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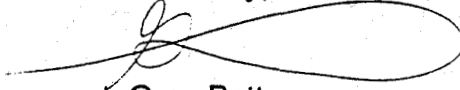
be open to greater competition. Rather than adopt rules presently which would require amendment in the future to broaden competition in metering, RUCO believes that the rules could establish that, for a period of time, metering services be open to limited competition (LDC or ESP or their agents), and that after a certain date or upon the Commission determining that generation is competitive, wider competition be permitted in metering services.

With respect to the phase-in period proposed for residential customers, RUCO notes that APS has earlier proposed that as many as 20,000 customers per utility be permitted to access competitive power as of January 1, 1999, an amount far in excess of the ½ of one-percent which is set forth in Staff's proposal. RUCO would prefer pilot program participation closer to the numbers proposed by APS.

Finally, RUCO believes that nuclear decommissioning cost should not be financed through the system benefits charge, but should instead be computed as part of the generation component.

I look forward to receiving the Staff's final Statement of Position next week.

Sincerely,

A handwritten signature in black ink, appearing to be 'G. Patterson', written over a horizontal line.

Greg Patterson
Director

cc: Docket Control
Service List